

IDALOU INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2011

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Idalou, Texas

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Idalou Independent School District
Name of School District

Lubbock
County

152-910
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ___ approved ___ disapproved (check one) for the year ended June 30, 2011 at a meeting of the Board of Trustees of such school district on the 27th day of September, 2011.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary):

FINANCIAL SECTION

Terry & King, CPAs, P.C.

4216 102nd
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (806) 698-8047

Independent Auditors' Report on Financial Statements

Board of Trustees
Idalou Independent School District
P.O. Box 1338
Idalou, Texas 79329

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idalou Independent School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Idalou Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Idalou Independent School District as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2011, on our consideration of Idalou Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

-2-

Members American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants



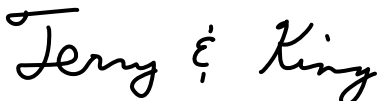
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Independent Auditor's Report
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, identified as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Idalou Independent School District's financial statements as a whole. The information identified as Other Supplementary Information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements as a whole. The Fund Balance and Cash Flow Calculation Worksheet-General Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
September 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Idalou Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$7,909,893 at June 30, 2011.
- During the year, the District's expenses were \$565,099 less than the \$9,355,493 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased 5% or \$416,060.
- The general fund reported a fund balance this year of \$3,866,056.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the District's Annual Financial Report

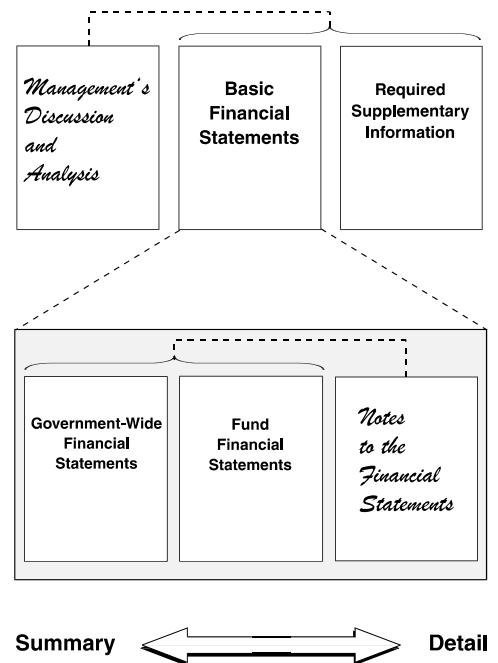


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$7,909,893 at June 30, 2011. (See Table A-1).

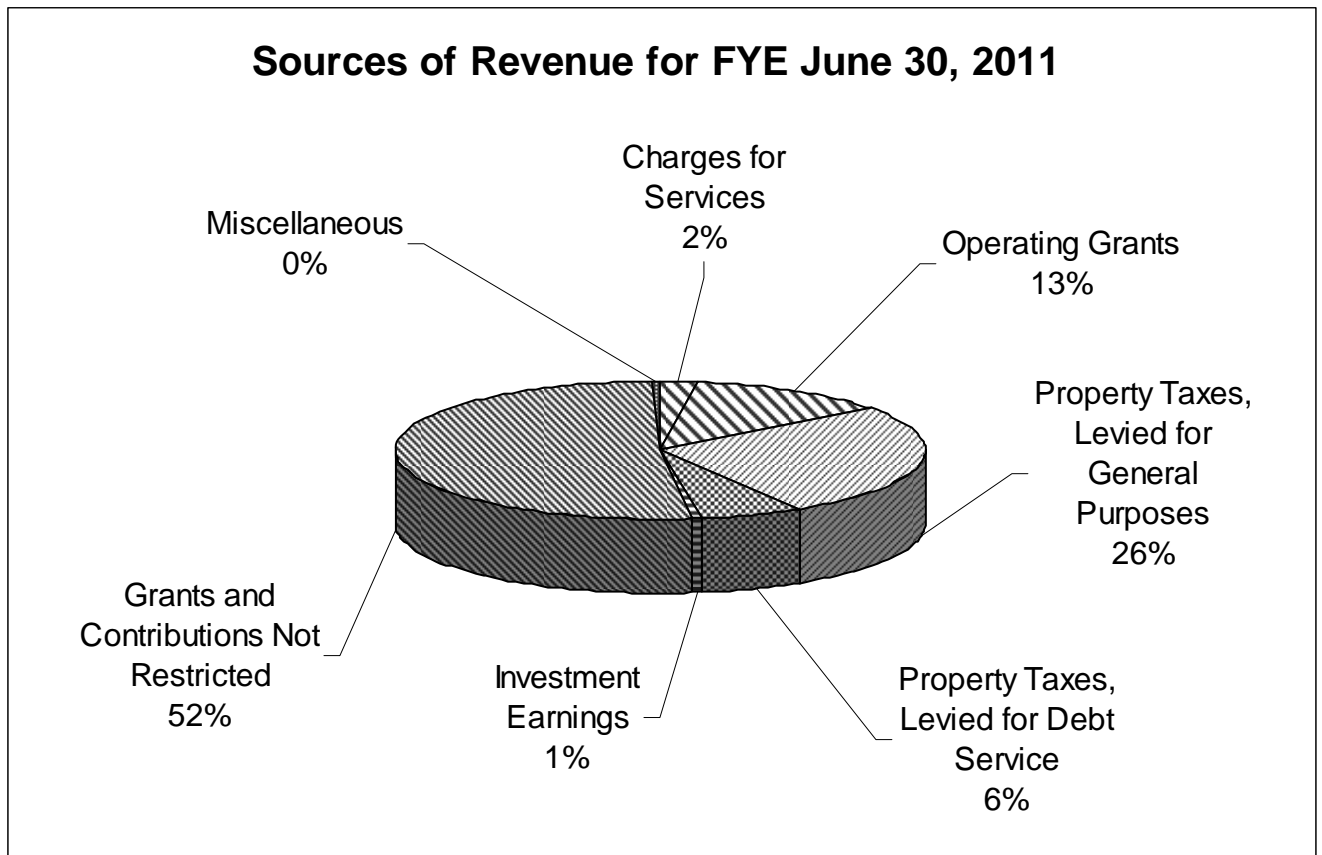
Table A-1
Idalou Independent School District's Net Assets

	Governmental Activities		
	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Current assets:			
Cash and cash equivalents	18,050,358	2,520,680	616%
Due from other governments	1,290,306	1,326,576	-3%
Taxes Receivable, net	55,486	56,591	-2%
Other Receivables	40		100%
Capitalized Bond Issuance Costs	130,179	-	100%
Total current assets:	19,526,369	3,903,847	400%
Noncurrent assets:			
Land	659,374	599,374	10%
Construction in Progress	764,875	32,970	2220%
Buildings & Improvements	6,542,195	7,232,695	-10%
Less accumulated depreciation, buildings & improvements	(3,673,584)	(4,266,871)	-14%
Vehicles	296,853	324,148	-8%
Less accumulated depreciation, vehicles	(267,050)	(276,460)	-3%
Furniture & Equipment	518,472	495,748	5%
Less accumulated depreciation, furniture & equipment	(383,280)	(340,709)	12%
Total noncurrent assets	4,457,855	3,800,895	17%
Total Assets	23,984,224	7,704,742	211%
Current liabilities:			
Accounts Payable	101,929	41,473	146%
Bond Interest Payable	216,075	-	100%
Accrued Wages Payable	216,396	282,347	-23%
Accrued Expenditures	14,308	18,139	-21%
Deferred Revenue	10,026	17,989	-44%
Total current liabilities	558,734	359,948	55%
Long-term liabilities:			
Due within one year	315,000	-	100%
Due in more than one year	14,870,000		100%
Premium on bond issuance	330,597	-	100%
Total long-term liabilities	15,515,597	-	100%
Total Liabilities	16,074,331	359,948	4366%
Net Assets:			
Invested in capital assets, net of related debt	3,786,499	3,800,895	0%
Restricted - Federal and State Programs	99,273	105,316	-6%
Restricted - Debt Service	102,579	-	100%
Unrestricted	3,921,542	3,438,583	14%
Total Net Assets	7,909,893	7,344,794	8%

The District's restricted net assets represent amounts restricted for Food Service (\$99,273) and amounts restricted for debt service (\$102,579). The \$3,921,542 of unrestricted net assets represents resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$9,355,493. A significant portion, 32 percent, of the District's revenue comes from taxes. (See Figure A-3.) 65 percent comes from grants, while only 2 percent relates to charges for services.

The total cost of all programs and services was \$8,790,394; 53 percent of these costs are for instructional and instruction-related services.



Governmental Activities

- Property tax rates from \$1.17 per \$100 value for FYE 2010 to \$1.455 per \$100 for FYE 2011. The general operating tax rate was \$1.17, and debt service tax rate was \$0.285. The increase in tax rates and an increase in values enabled the current tax levy to increase approximately \$695,995. Taxes collected in the year ending June 30, 2011 were \$3,036,367 compared to \$2,339,549 in the year ending June 30, 2010.

Table A-2
Changes in Idalou Independent School District's Net Assets

	Governmental Activities		Percentage Change
	<u>2011</u>	<u>2010</u>	
Program Revenues:			
Charges for Services	196,216	183,690	7%
Operating Grants and Contributions	1,173,931	1,151,974	2%
General Revenues:			
Property Taxes, Levied for General Purposes	2,476,234	2,364,927	5%
Property Taxes, Levied for Debt Service	587,279	-	100%
Grants and Contributions not restricted	4,813,800	4,880,818	-1%
Investment Earnings	67,172	40,104	67%
Other	40,861	140,680	-71%
Total Revenues	9,355,493	8,762,193	7%
Instruction	4,695,127	4,876,410	-4%
Instructional Resources and Media Services	154,636	164,106	-6%
Curriculum Development and Instructional Staff Development	5,657	5,688	-1%
Instructional Leadership	10,707	21,431	-50%
School Leadership	511,728	511,944	0%
Guidance, Counseling and Evaluation Services	198,905	187,082	6%
Health Services	59,190	53,657	10%
Student (Pupil) Transportation	163,746	178,641	-8%
Food Services	306,476	294,387	4%
Curricular/Extracurricular Activities	626,015	576,110	9%
General Administration	442,083	435,720	1%
Plant Maintenance & Operation	855,796	828,083	3%
Security and Monitoring Services	10,582	-	100%
Data Processing	56,240	-	100%
Interest on Long-Term Debt	443,307	-	100%
Bond Issuance Costs and Fees	4,821	-	100%
Payments to Shared Service Arrangements	205,685	188,447	9%
Payments to Juvenile Justice Alternative Education Programs	8,625	24,978	-65%
Other Governmental Charges	31,068	27,650	12%
Total Expenses	8,790,394	8,374,334	5%
Excess (Deficiency) Before Other Resources, Uses & Transfers	565,099	387,859	46%
Other Resources (Uses)	-	-	0%
Transfers In (Out)	-	-	0%
Increase (Decrease) in Net Assets	565,099	387,859	46%
Net Assets - Beginning	7,344,794	6,956,935	6%
Net Assets - Ending	7,909,893	7,344,794	8%

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$8,790,394.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3,063,513.
- Some of the cost was paid by those who directly benefited from the programs \$196,216, and
- By grants and contributions \$5,987,731.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
Instruction	4,695,127	4,876,410	(4%)	3,914,531	3,948,529	(1%)
School administration	442,083	435,720	1%	415,210	432,453	(4%)
Plant Maintenance & Operations	855,796	828,083	3%	835,501	828,083	1%
School Leadership	511,728	511,944	0%	480,590	511,944	(6%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$9,356,597 for the period ended June 30, 2011, an increase of 7% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. Even with these budget revisions the District's expenditures were \$626,185 below final budget amounts. Resources available were \$175,092 less than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had invested \$8,781,769 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$96,834 or 1 percent from last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total Percentage Change
	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>
Land	659,374	599,374	10%
Construction in Progress	764,875	32,970	2,220%
Buildings and improvements	6,542,196	7,232,695	(10%)
Vehicles	296,853	324,148	(8%)
Furniture & Equipment	518,472	495,748	5%
Totals at historical cost	<u>8,781,770</u>	<u>8,684,935</u>	<u>1%</u>
Total accumulated depreciation	(4,323,914)	(4,884,040)	11%
Net capital assets	<u>4,457,856</u>	<u>3,800,895</u>	<u>17%</u>

The District passed a \$15.3 million bond which was funded in the current year for the construction and renovation of school facilities. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Debt Administration

District's Long-Term Debt

	Governmental Activities	
	2011	<u>2010</u>
2010 Unlimited Tax School Building Bonds	\$ 15,185,000	\$ -
Premium on bond issuance	<u>330,597</u>	<u>-</u>
Total long-term debt	15,515,597	-
Less: Due within one year	<u>(315,000)</u>	<u>-</u>
Due in one year or more	<u>\$ 15,200,597</u>	<u>\$ -</u>

At year-end the District had \$15,185,000 in long-term debt outstanding. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2012 budget preparation shows a slight increase.
- General operating fund spending per student should remain approximately the same.
- The District's 2012 student attendance is continuing to increase by 12 to 15 students per year.
- The District passed a bond for \$15.3 million which funded in FYE 2011. This bond will fund construction and renovation projects over the next 3 years.

These indicators were taken into account when adopting the general fund budget for 2012. State funding is expected to decrease. The District does not plan an increase in program revenues and estimates only a slight increase in expenditures for staffing due to incremental salary increases.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease slightly by the close of 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

BASIC FINANCIAL STATEMENTS

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF NET ASSETS
June 30, 2011

1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 18,050,358
1225	Taxes Receivable, Net	55,486
1240	Due from Other Governments	1,290,306
1290	Other Receivables	40
1420	Capitalized Bond & Other Issuance Costs	130,179
	Capital Assets:	
1510	Land	659,374
1520	Buildings and Improvements, net	2,868,611
1530	Furniture and Equipment, net	164,995
1580	Construction in Progress	<u>764,875</u>
1000	TOTAL ASSETS	<u>\$ 23,984,224</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 101,929
2140	Bond Interest Payable	216,075
2160	Accrued Wages Payable	216,396
2200	Accrued Expense	14,308
2300	Deferred Revenue	10,026
	Noncurrent Liabilities:	
2501	Due within one year	315,000
2502	Due in more than one year	14,870,000
2590	Premium on bond issuance	<u>330,597</u>
2000	<u>Total Liabilities</u>	<u>16,074,331</u>
	NET ASSETS:	
3200	Invested in Capital Assets Net of Related Debt	3,786,499
	Restricted for:	
3820	Federal and State Programs	99,273
3850	Debt Service	102,579
3900	Unrestricted	<u>3,921,542</u>
3000	<u>TOTAL NET ASSETS</u>	<u>\$ 7,909,893</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Data Control		1	3	4	Net (Expense)
			Program Revenues		Revenue and
			Charges for	Operating	Changes in
Codes	Functions/Programs	Expenses	Services	Grants and Contributions	Net Assets
	Government Activities:				
11	Instruction and Instruction-Related Services	\$ 4,695,127	\$ 3,400	\$ 777,196	\$ (3,914,531)
12	Instructional Resources and Media Services	154,636	-	8,456	(146,180)
13	Curriculum Development and Instructional Staff Development	5,657	-	400	(5,257)
21	Instructional Leadership	10,707	-	10,707	-
23	School Leadership	511,728	-	31,138	(480,590)
31	Guidance, Counseling, & Evaluation Services	198,905	-	12,123	(186,782)
33	Health Services	59,190	-	3,721	(55,469)
34	Student (Pupil) Transportation	163,746	-	-	(163,746)
35	Food Services	306,476	124,026	193,668	11,218
36	Extracurricular Activities	626,015	68,790	11,730	(545,495)
41	General Administration	442,083	-	26,873	(415,210)
51	Plant Maintenance and Operations	855,796	-	20,295	(835,501)
52	Security and Monitoring Services	10,582	-	-	(10,582)
53	Data Processing	56,240	-	-	(56,240)
72	Interest on Long-Term Debt	443,307	-	77,624	(365,683)
73	Bond Issuance Costs and Fees	4,821	-	-	(4,821)
93	Payments to Shared Service Arrangements	205,685	-	-	(205,685)
95	Payments to Juvenile Justice Alternative Education Programs	8,625	-	-	(8,625)
99	Other Governmental Charges	31,068	-	-	(31,068)
TG	<u>Total Government Activities</u>	<u>8,790,394</u>	<u>196,216</u>	<u>1,173,931</u>	<u>(7,420,247)</u>
TP	Total Primary Government	<u>8,790,394</u>	<u>196,216</u>	<u>1,173,931</u>	<u>(7,420,247)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,476,234
DT	Property Taxes, Levied for Debt Service				587,279
IE	Investment Earnings				67,172
GC	Grants and Contributions Not Restricted to Specific Programs				4,813,800
MI	Miscellaneous				<u>40,861</u>
TR	Total General Revenue				<u>7,985,346</u>
CN	Change in Net Assets				565,099
NB	Net Assets -- Beginning				<u>7,344,794</u>
NE	Net Assets -- Ending				<u>\$ 7,909,893</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:						
1110	Cash and Cash Equivalents	\$ 2,778,245	\$ 361,480	\$ 14,811,400	\$ 99,233	\$ 18,050,358
1225	Taxes Receivable, Net	47,586	7,900	-	-	55,486
1240	Due from Other Governments	1,267,365	-	-	22,941	1,290,306
1260	Due from Other Funds	43,832	-	-	-	43,832
1290	Other Receivables	-	-	-	40	40
1000	<u>TOTAL ASSETS</u>	<u>\$ 4,137,028</u>	<u>\$ 369,380</u>	<u>\$ 14,811,400</u>	<u>\$ 122,214</u>	<u>\$ 19,440,022</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts Payable	\$ 4,592	\$ -	\$ 97,337	\$ -	\$ 101,929
2160	Accrued Wages Payable	196,112	-	-	20,284	216,396
2170	Due to Other Funds	-	42,827	-	1,005	43,832
2200	Accrued Expenditures	12,656	-	-	1,652	14,308
2300	Deferred Revenue	57,612	7,900	-	-	65,512
2000	<u>Total Liabilities</u>	<u>270,972</u>	<u>50,727</u>	<u>97,337</u>	<u>22,941</u>	<u>441,977</u>
FUND BALANCES:						
Restricted Fund Balances:						
3420	Debt Service	-	318,653	-	-	318,653
3450	Food Service	-	-	-	99,273	99,273
3470	Capital Acquisition Program	-	-	14,714,063	-	14,714,063
Committed Fund Balances:						
3510	Construction	1,000,000	-	-	-	1,000,000
3530	Capital Expenditures for Equipment	800,000	-	-	-	800,000
3600	Unassigned	2,066,056	-	-	-	2,066,056
3000	<u>Total Fund Balance</u>	<u>3,866,056</u>	<u>318,653</u>	<u>14,714,063</u>	<u>99,273</u>	<u>18,998,045</u>
4000	<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 4,137,028</u>	<u>\$ 369,380</u>	<u>\$ 14,811,400</u>	<u>\$ 122,214</u>	<u>\$ 19,440,022</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 18,998,045
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,457,855
2 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	55,486
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(15,401,075)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net assets.	(330,597)
5 Certain costs related to the sale of bonds are capitalized and amortized over the life of the bond.	<u>130,179</u>
Net Assets of Governmental Activities -- Statement of Net Assets	<u>\$ 7,909,893</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES:						
5700	Local and Intermediate Sources	\$ 2,621,383	\$ 587,664	\$ 35,530	\$ 124,289	\$ 3,368,866
5800	State Program Revenues	5,154,279	77,624	-	103,975	5,335,878
5900	Federal Program Revenues	-	-	-	651,853	651,853
5020	<u>Total Revenues</u>	<u>7,775,662</u>	<u>665,288</u>	<u>35,530</u>	<u>880,117</u>	<u>9,356,597</u>
EXPENDITURES:						
Current:						
0011	Instruction and Instruction-Related Services	4,020,750	-	2,732	548,371	4,571,853
0012	Instructional Resources and Media Services	150,407	-	-	-	150,407
0013	Curriculum Development and Instructional Staff Development	5,103	-	-	400	5,503
0021	Instructional Leadership	-	-	-	10,707	10,707
0023	School Leadership	497,733	-	-	-	497,733
0031	Guidance, Counseling, & Evaluation Services	193,466	-	-	-	193,466
0033	Health Services	57,571	-	-	-	57,571
0034	Student (Pupil) Transportation	159,267	-	-	-	159,267
0035	Food Services	-	-	-	324,000	324,000
0036	Cocurricular/Extracurricular Activities	608,371	-	-	-	608,371
0041	General Administration	427,310	-	-	2,682	429,992
0051	Plant Maintenance and Operations	832,391	-	-	-	832,391
0052	Security and Monitoring Services	10,582	-	-	-	10,582
0053	Data Processing	56,240	-	-	-	56,240
0071	Principal on Long-Term Debt	-	120,000	-	-	120,000
0072	Interest on Long-Term Debt	-	239,476	-	-	239,476
0073	Bond Issuance Costs and Fees	-	-	135,000	-	135,000
0081	Facilities Acquisition and Construction	60,000	-	785,765	-	845,765
0093	Payments to Shared Service Arrangements	205,685	-	-	-	205,685
0095	Payments to Juvenile Justice Alternative Education Programs	8,625	-	-	-	8,625
0099	Tax Appraisal & Collector	31,068	-	-	-	31,068
6030	<u>Total Expenditures</u>	<u>7,324,569</u>	<u>359,476</u>	<u>923,497</u>	<u>886,160</u>	<u>9,493,702</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	451,093	305,812	(887,967)	(6,043)	(137,105)
Other Financing Sources and (Uses):						
7911	Capital-Related Debt Issued (Regular Bonds)	-	-	15,305,000	-	15,305,000
7915	Operating Transfers In	-	12,841	-	-	12,841
7916	Premium or Discount on Issuance of Bonds	-	-	342,841	-	342,841
8911	Operating Transfers Out	-	-	(12,841)	-	(12,841)
	<u>Total Other Financing Sources and (Uses)</u>	<u>-</u>	<u>12,841</u>	<u>15,635,000</u>	<u>-</u>	<u>15,647,841</u>
1200	Net Change in Fund Balances	451,093	318,653	14,747,033	(6,043)	15,510,736
0100	Fund Balances -- Beginning	3,414,963	-	(32,970)	105,316	3,487,309
3000	<u>Fund Balances -- Ending</u>	<u>\$ 3,866,056</u>	<u>\$ 318,653</u>	<u>\$ 14,714,063</u>	<u>\$ 99,273</u>	<u>\$ 18,998,045</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Net Change in Fund Balances -- Total Governmental Funds \$ 15,510,736

Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period. 868,489

The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets. (211,529)

Certain property tax revenues are deferred in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period. (1,104)

Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net assets. This amount is the total debt principal repaid for bonded indebtedness. 120,000

Proceeds from the issuance of long-term debt, such as bonds are reported as other resources in the governmental funds. In the statement of net assets these amounts are reflected as an increase to the long-term debt section. (15,512,841)

Premiums received from the issuance of bonds is recorded in the governmental funds as an other source of current resources. For the statement of net assets, these premiums are amortized and a portion recognized as revenue over the life of the bonds. 12,244

The cost of issuing bonds is reported as an other use or expense in the governmental funds, but is amortized as an expense over the life of the bonds in the statement of net assets. (4,821)

Interest expense is reported when paid in the governmental funds. In the statement of net assets, interest expense is accrued as of the balance sheet date. This is the amount accrued interest payable changed during the current period. (216,075)

Change in Net Assets of Governmental Activities -- Statement of Activities \$ 565,099

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	<u>AGENCY FUNDS</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 168,047</u>
 TOTAL ASSETS	 <u><u>\$ 168,047</u></u>
 LIABILITIES:	
Due to Student Groups	<u>\$ 168,047</u>
 TOTAL LIABILITIES	 <u><u>\$ 168,047</u></u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

A. Summary of Significant Accounting Policies

The basic financial statements of Idalou Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated to statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange transactions.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2
Year Ended June 30, 2011

A. Summary of Significant Accounting Policies (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This is the District's fund for the collection of revenues from property taxes and state grants for the specific purpose of retiring bonded indebtedness.

Capital Projects Fund: This fund is used to report the District's construction and investment in physical plant and other capital assets.

In addition, the District reports the following fund types:

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3
Year Ended June 30, 2011

A. Summary of Significant Accounting Policies (Continued)

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4
Year Ended June 30, 2011

A. Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amount for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5
Year Ended June 30, 2011

A. Summary of Significant Accounting Policies (Continued)

Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use Restricted fund balances first, followed by Committed resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of June 30, 2011, the amount deemed uncollectible by this estimate was \$152,123. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6
Year Ended June 30, 2011

B. Summary of Significant Accounting Policies (Continued)

c. Capital Assets

Purchased or constructed capital assets are reported at cost estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7
Year Ended June 30, 2011

A. Summary of Significant Accounting Policies (Continued)

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net assets.

f. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

g. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The Texas Education Agency requires the display of these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide database for policy development and funding plans.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8
Year Ended June 30, 2011

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect the District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

Cash Deposits

At June 30, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$18,050,358 and the bank balance was \$18,399,089. The District's cash deposits at June 30, 2011 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9
Year Ended June 30, 2011

C. Deposits and Investments (Continued)

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principle and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District’s investments at June 30, 2011 included money market accounts in the amount of \$1,470,222, certificates of deposit amounting to \$3,021,095, and investment pools in the amount of \$13,794,640.

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating</u> <u>(Standard & Poor’s)</u>	<u>Amount</u>
Lone Star Investment Pool – Corporate Overnight Plus Fund	General Fund	AAAf	\$ 660,307
Local Government Investment Cooperative	Construction	AAAm	12,775,451
Local Government Investment Cooperative	Debt Service	AAAm	<u>358,882</u>
			13,794,640

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10
Year Ended June 30, 2011

C. Deposits and Investments (Continued)

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end as if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11
Year Ended June 30, 2011

C. Deposits and Investments (Continued)

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12
Year Ended June 30, 2011

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Government Activities</u>	Balance <u>07/01/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/11</u>
Land	\$ 599,374	\$ 60,000	\$ -	\$ 659,374
Construction in Progress	32,970	731,904	-	764,874
Buildings & Improvements	7,232,695	53,861	744,360	6,542,196
Vehicles	324,147	-	27,295	296,852
Furniture & Equipment	<u>495,749</u>	<u>22,724</u>	<u>-</u>	<u>518,473</u>
Total Capital Assets	8,684,935	868,489	771,655	8,781,769
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	4,266,871	151,073	744,360	3,673,584
Vehicles	276,460	17,885	27,295	267,050
Furniture & Equipment	<u>340,709</u>	<u>42,571</u>	<u>-</u>	<u>383,280</u>
Total Accum. Depreciation	<u>4,884,040</u>	<u>211,529</u>	<u>771,655</u>	<u>4,323,914</u>
 Net Capital Assets	 <u>\$ 3,800,895</u>	 <u>\$656,960</u>	 <u>\$ -</u>	 <u>\$ 4,457,855</u>

Depreciation was charges to functions as follows:

11-Instructions	\$ 128,474
12-Instructional Resources & Media Services	4,229
13-Curriculum & Instructional Staff Development	155
23-School Leadership	13,995
31-Guidance, Counseling & Evaluation Services	5,440
33-Health Services	1,619
34-Student (Pupil) Transportation	4,478
36-Cocurricular/Extracurricular Activities	17,644
41-General Administration	12,090
51-Plant Maintenance & Operations	<u>23,405</u>
	<u>\$ 211,529</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13
Year Ended June 30, 2011

E. Interfund Balances and Activities

Interfund balances at June 30, 2011 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Debt Service Fund	\$ 42,827	
Special Revenue Funds	<u>1,005</u>	<u>\$ -</u>
<u>Total General Fund</u>	<u>43,832</u>	<u>-</u>
<u>Debt Service Fund:</u>		
General Fund	<u>-</u>	<u>42,827</u>
<u>Special Revenue Funds:</u>		
General Fund	<u>-</u>	<u>1,005</u>
<u>Total</u>	<u>\$ 43,832</u>	<u>\$ 43,832</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of various funds.

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14
Year Ended June 30, 2011

G. Long-Term Obligations

On August 18, 2010, the District issued \$15,305,000 in Unlimited Tax School Building Bonds in order to acquire, construct, renovate and equip school buildings in the District; and to pay costs of issuance related to the bonds. The Bonds were issued as serial bonds maturing on February 15 in the years 2011 through 2032, inclusive; and in part as term bonds maturing on February 15 in the years 2035 and 2038. The interest rates range from 2.0% to 4.170%.

\$239,476 in interest was paid during the year ended June 30, 2011 on bonded indebtedness.

Changes in bonded indebtedness for the year ended June 30, 2011 are as follows.

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases/ Accretion</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Unlimited Tax School Building Bonds, Series 2010	\$ -	\$15,305,000	\$ 120,000	\$ 15,185,000	\$ 315,000
Unamortized Premium on bond Issuance	-	342,841	12,244	330,597	-
Net Bonds Payable	<u>\$ -</u>	<u>\$15,647,841</u>	<u>\$ 132,244</u>	<u>\$15,515,597</u>	<u>\$315,000.</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15
Year Ended June 30, 2011

Debt service requirements on bonded indebtedness at June 30, 2011 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 315,000	\$ 576,200	\$ 891,200
2013	330,000	569,900	899,900
2014	345,000	563,300	908,300
2015	365,000	554,675	919,675
2016	375,000	545,550	920,550
Thereafter	<u>13,455,000</u>	<u>7,039,100</u>	<u>20,494,100</u>
	<u>\$ 15,185,000</u>	<u>\$ 9,848,725</u>	<u>\$ 25,033,725</u>

H. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16
Year Ended June 30, 2011

G. Pension Plan (continued)

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$319,743, \$304,426, and \$281,538, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending June 30, 2011, 2010 and 2009 were \$46,693, \$52,189, and \$45,088, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$325,345.

H. Health Care Coverage

The District sponsors a fully insured health insurance plan to provide health care benefits to staff members and their dependents. The District paid premiums of \$225 per month for staff members participating in the plan. Staff members, at their option, authorized payroll deductions to pay premiums for their dependents. All premiums were paid to a licensed insurer.

I. Property/Casualty Insurance

During the year ended June 30, 2011, Idalou ISD participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Program.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17
Year Ended June 30, 2011

I. Property/Casualty Insurance (continued)

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

Based on the information we have available as of today, for the year ended June 30, 2011, Idalou ISD will have no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, TX.

J. Unemployment Compensation Pool

During the year ended June 30, 2011, Idalou ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18
Year Ended June 30, 2011

J. Unemployment Compensation Pool (continued)

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, Texas.

K. School District Retiree Health Plan

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0%, and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010, and 2009. Per Texas Insurance Code, Chapter 1575, the public school contributions may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$49,960, \$47,421, and \$43,990, respectively, the active member contributions were \$32,475, \$30,824, and \$28,594, respectively, and the school district's contributions were \$27,478, \$26,082, and \$24,195, respectively, which equaled the required contributions each year.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19
Year Ended June 30, 2011

L. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended June 30, 2011, 2010, and 2009 were \$14,101, \$13,210, and \$10,930, respectively.

M. Litigation

There was no litigation pending or in progress against the District at June 30, 2011.

N. Commitments and Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20
Year Ended June 30, 2011

O. Shared Services Arrangements

Shared Services Arrangement – Membership

The District participates in a shared services arrangement for special education services with the following school districts:

Member Districts

Lorenzo Independent School District
Crosbyton Independent School District
Lockney Independent School District
Ralls Independent School District
Petersburg Independent School District

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

REQUIRED SUPPLEMENTARY INFORMATION

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2011

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,510,306	\$ 2,510,306	\$ 2,621,383	\$ 111,077
5800	State Program Revenues	5,370,348	5,440,448	5,154,279	(286,169)
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>7,880,654</u>	<u>7,950,754</u>	<u>7,775,662</u>	<u>(175,092)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,423,411	4,328,661	4,020,750	307,911
0012	Instructional Resources and Media Services	168,999	172,999	150,407	22,592
0013	Curriculum Dev. & Instructional Staff Dev.	8,200	8,200	5,103	3,097
	Total Instruction & Instr. Related Services	<u>4,600,610</u>	<u>4,509,860</u>	<u>4,176,260</u>	<u>333,600</u>
Instructional and School Leadership:					
0023	School Leadership	537,121	546,121	497,733	48,388
	Total Instr. & School Leadership	<u>537,121</u>	<u>546,121</u>	<u>497,733</u>	<u>48,388</u>
Support Services-Student (Pupil):					
0031	Guidance, Counseling & Evaluation Services	198,133	200,133	193,466	6,667
0033	Health Services	58,440	58,790	57,571	1,219
0034	Student (Pupil) Transportation	224,500	184,500	159,267	25,233
0036	Curricular/Extracurricular Activities	493,537	621,537	608,371	13,166
	Total Support Services - Student (Pupil)	<u>974,610</u>	<u>1,064,960</u>	<u>1,018,675</u>	<u>46,285</u>
Administrative Support Services:					
0041	General Administration	430,444	439,444	427,310	12,134
	Total Administrative Support Services	<u>430,444</u>	<u>439,444</u>	<u>427,310</u>	<u>12,134</u>
Support Services-Nonstudent Based					
0051	Plant Maintenance and Operations	1,031,872	974,372	832,391	141,981
0052	Security and Monitoring Services	5,115	15,115	10,582	4,533
0053	Data Processing	-	65,000	56,240	8,760
	Total Support Services-Nonstudent Based	<u>1,036,987</u>	<u>1,054,487</u>	<u>899,213</u>	<u>155,274</u>
Capital Outlay					
0081	Facilities Acquisition and Construction	60,000	60,000	60,000	-
	Total Capital Outlay	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Intergovernmental Charges					
0093	Payments to Fiscal Agent/Member Dist.-SSA	214,000	214,000	205,685	8,315
0095	Payments to Juvenile Justice Alternative Education Programs	-	30,000	8,625	21,375
0099	Tax Appraisal & Collection	26,882	31,882	31,068	814
	Total Intergovernmental Charges	<u>240,882</u>	<u>275,882</u>	<u>245,378</u>	<u>30,504</u>
6030	Total Expenditures	<u>7,880,654</u>	<u>7,950,754</u>	<u>7,324,569</u>	<u>626,185</u>
Other Financing Sources (Uses):					
7915	Operating Transfers In	-	-	-	-
8911	Operating Transfers Out	-	-	-	-
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	451,093	451,093
0100	Fund Balance - Beginning	3,414,963	3,414,963	3,414,963	-
3000	Fund Balance - Ending	<u>\$ 3,414,963</u>	<u>\$ 3,414,963</u>	<u>\$ 3,866,056</u>	<u>\$ 451,093</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT H-1

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2011

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 30,000	\$ 35,530	\$ 5,530
5020	Total Revenues	<u>30,000</u>	<u>35,530</u>	<u>5,530</u>
	EXPENDITURES:			
	Current:			
0011	Instruction & Instructional Related Services	2,732	2,732	-
	Debt Service:			
0073	Bond Issuance Costs and Fees	135,000	135,000	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	<u>844,605</u>	<u>785,765</u>	<u>58,840</u>
6030	Total Expenditures	<u>982,337</u>	<u>923,497</u>	<u>58,840</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(952,337)</u>	<u>(887,967)</u>	<u>(53,310)</u>
	Other Financing Sources (Uses):			
7911	Capital-Related Debt Issued (Regular Bonds)	15,305,000	15,305,000	-
7916	Premium or Discount on Issuance of Bonds	342,841	342,841	-
8911	Operating Transfers Out	<u>(12,841)</u>	<u>(12,841)</u>	<u>-</u>
7080	Total Other Financing Sources and (Uses)	<u>15,635,000</u>	<u>15,635,000</u>	<u>-</u>
1200	Net Change in Fund Balance	14,682,663	14,747,033	64,370
0100	Fund Balance - Beginning	<u>(32,970)</u>	<u>(32,970)</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 14,649,693</u>	<u>\$ 14,714,063</u>	<u>\$ 64,370</u>

OTHER SUPPLEMENTARY INFORMATION

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2011

Last Ten Years Ended 08/31 or 06/30	1		2		3	10	20	31	32	40	50
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance 07/01/10	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/11		
	Maintenance	Debt Service									
2002 and Prior Years	Various	Various	Various	--	\$ 33,066	\$ -	\$ 8	\$ -	\$ (12,577)	\$ 20,481	
2,003	1.36696	0.11304	1.48000	113,919,459	8,985	-	-	-	(382)	8,603	
2,004	1.39457	0.10543	1.50000	114,196,497	11,759	-	58	-	(429)	11,272	
2,005	1.40544	0.09456	1.50000	125,310,533	17,363	-	198	-	(346)	16,819	
2,006	1.44000	0.11000	1.55000	131,419,017	15,402	-	1,580	-	(363)	13,459	
2,007	1.31670	0.11000	1.42670	131,419,017	15,687	-	2,409	-	830	14,108	
2,008	1.17000	0.09500	1.26500	183,348,379	17,122	-	6,715	-	633	11,040	
2,009	1.17000	0.00000	1.17000	198,705,556	30,229	-	13,092	-	87	17,224	
2,010	1.17000	0.00000	1.17000	202,228,376	61,819	-	27,706	-	(2,538)	31,575	
2011-School Year Under Audit	1.17000	0.28500	1.45500	210,451,340	-	3,062,067	2,399,988	584,613	(14,437)	63,029	
1000	TOTALS				<u>\$ 211,432</u>	<u>\$ 3,062,067</u>	<u>\$ 2,451,754</u>	<u>\$ 584,613</u>	<u>\$ (29,522)</u>	<u>\$ 207,610</u>	

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Column 3 - Assessed/Appraised Value for School Tax Purposes:
This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 20 - Current Year's Levy:
This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 40 - Entire Year's Adjustments:
Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 50 - Ending Balance 6/30/11

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF EXPENDITURES FOR COMPUTATION ON INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2011

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Miscellaneous	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 143,621	\$ 180,453	\$ -	\$ -	\$ 324,074
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				-			-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)				-			-
6211	Legal Services	-	-	11,610	-	-	-	11,610
6212	Audit Services				12,550			12,550
6213	Tax Appraisal and Collection		39,022					39,022
621X	Other Prof. Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	-	-	2,000	600	-	2,682	5,282
6240	Contr. Maint. And Repair							-
6250	Utilities							-
6260	Rentals	-	-	7,376	-	-	-	7,376
6290	Miscellaneous Contr.	-	-	1,324	-	-	-	1,324
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	280	-	2,549	7,987	-	-	10,816
6410	Travel, Subsistence, Stipends	8,695	-	4,680	3,988	-	-	17,363
6420	Ins. and Bonding Costs	4,100	-	-	-	-	-	4,100
6430	Election Costs	5,999						5,999
6490	Miscellaneous Operating	1,224	-	15,195	5,125	-	-	21,544
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 20,298	\$ 39,022	\$ 188,355	\$ 210,703	\$ -	\$ 2,682	\$ 461,060

Total expenditures for General and Special Revenue Funds (9) 8,210,729

LESS: Deductions of Unallowable Costs:

	FISCAL YEAR		
Total Capital Outlay (6600)		(10)	82,724
Total Debt & Lease (6500)		(11)	-
Plant Maintenance (Function 51, 6100-6400)		(12)	832,391
Food (Function 35, 6341 and 6499)		(13)	655
Stipends (6413)		(14)	-
Column 4 (above) - Total Indirect Cost			210,703
			<u>1,126,473</u>

Net Allowed Direct Cost \$ 7,084,256

CUMULATIVE

Total Cost of Buildings Before Depreciation	(15)	6,542,196
Historical Cost of Buildings over 50 Years Old	(16)	213,970
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	815,325
Historical Cost of Furniture & Equipment Over 16 Years Old	(19)	91,396
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	-

(8) Note A - No Function 53 expenditures and \$31,068 in Function 99 expenditures are included in this report on administrative costs.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF JUNE 30, 2011

Data Control Code	Explanation	Amount
1	Total General Fund Balance 6/30/11 (Exhibit C-1 object 3000 for the General Fund Only)	<u>\$ 3,866,056</u>
2	Total General Fund Non-spendable Fund Balance (from Exhibit C-1 - total of object 341X-644X for the General Fund Only)	<u>-</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 -- total of object 345X-349X for the General Fund only)	<u>-</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 -- total of object 351X-654X for the General Fund only)	<u>1,800,000</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 -- total of object 355X-359X for the General Fund only)	<u>-</u>
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	<u>1,977,855</u>
7	Estimate of two month's average cash disbursements during the fiscal year.	<u>1,582,284</u>
8	Estimate of delayed payments from state sources (58XX)	<u>-</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	<u>-</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>-</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>-</u>
10	Optimum Fund Balance and Cash Flow (2 + 3+ 4 + 5 + 6 + 7 + 8 + 9)	<u>\$ 5,360,139</u>
11	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1 - 10)	<u>\$ (1,494,083)</u>

If item 11 is a positive number

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

(UNAUDITED)

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2011

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 133,179	\$ 124,289	\$ (8,890)
5800	State Program Revenues	2,199	2,269	70
5900	Federal Program Revenues	206,394	191,399	(14,995)
5020	Total Revenues	<u>341,772</u>	<u>317,957</u>	<u>(23,815)</u>
	EXPENDITURES:			
	Current:			
	Support Services-Student (Pupil):			
0035	Food Services	<u>341,772</u>	<u>324,000</u>	<u>17,772</u>
	Total Support Services - Student (Pupil)	<u>341,772</u>	<u>324,000</u>	<u>17,772</u>
6030	Total Expenditures	<u>341,772</u>	<u>324,000</u>	<u>17,772</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	(6,043)	(6,043)
0100	Fund Balance - Beginning	<u>105,316</u>	<u>105,316</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 105,316</u>	<u>\$ 99,273</u>	<u>\$ (6,043)</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT J-5

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2011

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 537,800	\$ 587,663	\$ 49,863
5800	State Program Revenues	197,500	77,624	(119,876)
5020	Total Revenues	<u>735,300</u>	<u>665,287</u>	<u>(70,013)</u>
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	120,000	120,000	-
0072	Interest on Long-Term Debt	240,000	239,476	524
0073	Bond Issuance Costs and Fees	1,000	-	1,000
	Total Debt Service	<u>361,000</u>	<u>359,476</u>	<u>1,524</u>
6030	Total Expenditures	<u>361,000</u>	<u>359,476</u>	<u>1,524</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	-	12,842	12,842
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>12,842</u>	<u>12,842</u>
1200	Net Change in Fund Balance	374,300	318,653	(55,647)
0100	Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 105,346</u>	<u>\$ 318,653</u>	<u>\$ (55,647)</u>

Terry & King, CPAs, P.C.

4216 102nd
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (806) 698-8047

Independent Auditors' Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Idalou Independent School District
P.O. Box 1338
Idalou, Texas 79329

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idalou Independent School District as of and for the year ended June 30, 2011, which collectively comprise the Idalou Independent School District's basic financial statements and have issued our report thereon dated September 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Idalou Independent School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



Independent Auditors' Report
Page 2

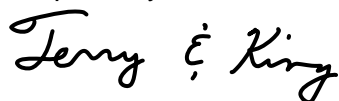
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Idalou Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Trustees, federal awarding agencies and pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
September 12, 2011

Terry & King, CPAs, P.C.

4216 102nd
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (806) 698-8047

Independent Auditors' Report

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Idalou Independent School District
P.O. Box 1338
Idalou, Texas 79329

Members of the Board of Trustees:

Compliance

We have audited the compliance of Idalou Independent School District with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. Idalou Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Idalou Independent School District's management. Our responsibility is to express an opinion on Idalou Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Idalou Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Idalou Independent School District's compliance with those requirements.

In our opinion, Idalou Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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Members American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants



The CPA. Never Underestimate The Value.®

Internal Control Over Compliance

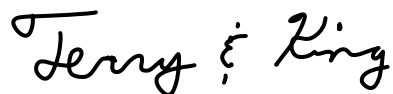
The management of Idalou Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Idalou Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Trustees, federal awarding agencies and pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
September 12, 2011

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial Statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required To be reported in accordance with section 510(a) of Circular A-133? Yes No

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
84.389	Title I, Part A – ARRA
84.394	Title XIV – ARRA SFSP

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2011

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2011

Not Applicable – None Required

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title 1, Part A - Improving Basic Programs *	84.010A	11610101152910	144,546
ESEA Title 1, Part A - ARRA/Stimulus *	84.389A	10551001152910	6,375
ESEA Title II, Part D - Teacher & Principal Training & Recruiting	84.367A	11694501152910	47,440
ARRA TTL XIV-State Fiscal Stabilization Fund (SFSF)	84.394A	11557001152910	262,093
Total U.S. Department of Education			<u>460,454</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	71300501	148,052
School Breakfast Program*	10.553	71400401	27,413
Commodity Supplemental Food Program	10.565	251-902	<u>15,934</u>
Total U.S. Department of Agriculture			<u>191,399</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 651,853</u>

* - Indicates a cluster program under OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Idalou Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHOOLS FIRST QUESTIONNAIRE
For the Year Ended June 30, 2011

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? Was there an unqualified opinion on the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Were there any disclosures in the Annual Financial Report of material noncompliance?	No